Background on the AMT

The Alternative Minimum Tax was originally enacted in 1969 to ensure that the wealthiest Americans paid at least some income taxes—like everybody else. Before the AMT, the richest Americans could unfairly dodge their taxes by using deductions to sidestep their social obligations.

What began at the end of the Johnson Administration as an attempt to guarantee that the top one percent of Americans pay their fair share of taxes—roughly 150 wealthy individuals—has not been indexed for inflation and as a result has slowly morphed into a middle-class tax hike.

The double whammy of inflation and President George W. Bush's 2001 and 2003 tax cuts for the rich only make matters worse for middle-class Americans by causing their AMT liabilities to skyrocket. In fact, the administration has relied on revenue from the AMT to underwrite the tax cuts for the rich.

Democrats warned the president that these givebacks to the wealthy posed a serious problem for middle-income earners.

Congress has recently enacted a series of temporary fixes that limited the expansion of the so-called "Richman's tax" to about 4 million taxpayers. But, if left unchanged, next year the AMT will become a burden on the pocketbooks of roughly 23 million taxpayers. Among the hardest hit will be those who make under $100,000 annually.

Repealing the AMT, which would restore fairness to the tax code, would cost the government around $70 billion this year or roughly $900 billion over the next decade.